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SUBJECT: MADRID WEEKLY ECON/AG/COMMERCIAL UPDATE REPORT -  
NOVEMBER 5 - NOVEMBER 9

MADRID 00002101 001.2 OF 003

Not for Internet Distribution.

Table of Contents:

KIPR: GOS IPR conference, bilateral  
EFIN: Finance Ministry investigates suspicious financial  
transactions involving 500 euro notes  
PTER/EFIN: Police monitor some 700 mosques for possible  
terrorism finance ties  
EINT: OECD Study shows Spanish high-speed internet slow and  
expensive  
TBIO/EAGR: Spain abstains on EU vote on Austrian agriculture  
biotechnology ban  
ETRD/TBIO: EU biodiesel board vs US biodiesel imports  
ELAB: Incentives for delaying retirement

GOS IPR CONFERENCE, BILATERAL

¶1. (U) The Ministry of Industry, Tourism and Trade sponsored a November 7-8 "Conference on Intellectual Property Rights in the Digital Environment" that included representatives from the USG (Associate Register of Copyrights David Carson), France, the UK and Korea, as well as representatives of content providers, Internet Service Providers (ISPs) and consumers. Secretary of State for Telecommunications Francisco Ros opened the conference. The content provider and ISP representatives aired their well-known disagreements. The Spanish government spokesmen did not take sides. However, the Secretary of State's Chief of Staff, Juan Junquera Temprano, made a very strong statement to the effect that copyright levies are not compensation for peer to peer file sharing. This was important because the logical conclusion to this statement is that peer to peer file sharing therefore either has to be suppressed and/or compensated in some other way. Carson's presentations on the Digital Millennium Copyright Act were well received.

¶2. (SBU) DCM Llorens, accompanied by Carson, U.S. Patent and Trademark Office Senior Counsel Michael Shapiro and Economic Officer, participated in a November 7 bilateral with Secretary of State Ros on Intellectual Property Rights

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issues. The DCM congratulated Ros on the conference initiative and reiterated per the Special 301 demarche our interest in deeper IPR cooperation with Spain. Ros responded that perhaps more judge-to-judge meetings would be a good idea. We will follow up on this idea. The DCM hosted a

lunch for GOS officials and stakeholders that participated in the conference on November 8. That also went well, although content providers expressed frustration with ISP lack of willingness to assume more responsibility for protecting intellectual property on the internet and with the government for not being more decisive. The Ministry of Industry representative urged the relevant industries to agree upon a notice system to begin with. (Comment: This conference was certainly a worthwhile event, but it is clear that the GOS will not undertake major IPR initiatives prior to the March 2008 parliamentary elections. We think the judge-to-judge initiative is a good idea, although only likely to pay dividends in the medium term. We think the Ministry of Industry's idea to pursue a notice system for now, leaving takedown for later, is the most promising avenue for more short-term success in protecting copyrights on the internet. We will be exploring with stakeholders the possibility of making this happen. End Comment.)

#### FINANCE MINISTRY INVESTIGATES SUSPICIOUS FINANCIAL TRANSACTIONS INVOLVING 500-EURO NOTES

¶3. (SBU) An estimated 30 percent of all the 500-euro notes issued by the European Central Bank circulate in Spain, which has long given rise to suspicions that money laundering is a big problem in the country. In 2005, there were 2,140 suspicious transactions involving 500-euro notes. The Finance Ministry has also added the number of suspicious transactions for 2003, 2004 and 2006 and says there were 13,500 such transactions involving over 6 billion euros. The Ministry of Finance is creating an additional 30 suspicious transaction inspection units. Inspectors working at the Ministry had requested the formation of 100 such units. (Comment: There is no doubt that there is a problem in Spain with respect to money laundering. Banks are probably relatively compliant on money laundering matters, but the GOS needs to do a better job of monitoring real estate agencies, notaries and other non-banking institutions.) (El Pais, 11/4/07)

MADRID 00002101 002.2 OF 003

#### POLICE MONITOR SOME 700 MOSQUES FOR POSSIBLE TERRORISM FINANCE TIES

¶4. (SBU) Many of the mosques are not registered and are really more informal gatherings of the faithful. In Spain, religious organizations have to register in order to qualify for tax and/or other benefits. An unnamed Ministry of Interior official is quoted as being "worried" about the funds that might be raised in Spain's mosques. (Comment: Stories about mosques being under surveillance have appeared in the press in the past. We are trying to find out more about the form that this reported surveillance takes.) (El Pais, 11/4/07)

#### OECD STUDY SHOWS HIGH-SPEED INTERNET SLOW AND EXPENSIVE

¶5. (U) According to the OECD study, in October 2007, downloading speed in Spain was 6.901 megabytes per second, somewhere in the middle of the OECD, compared with 8.860 megabytes per second in the U.S. and 93.693 megabytes in the leader, Japan. Monthly high-speed internet bills amounted to USD 67.70 in Spain, at the high end of the OECD, compared with USD 53.10 per month in the U.S. Finland had the lowest bills at USD 31.10 per month. (Comment: This information comes as no surprise. Embassy consumers of home internet uniformly report relatively lengthy high-speed internet connection times and high prices, despite some competition to the dominant carrier, Telefonica.) (El Pais, 11/6/07)

#### SPAIN ABSTAINS ON EU VOTE ON AUSTRIAN AGRICULTURE BIOTECHNOLOGY BAN

¶6. (U) Spain's anti-biotechnology minister of the environment recently took a small, small step in favor of agriculture

biotechnology. In two previous European Union (EU) Member State votes on Austria's ban of agriculture biotechnology, Spain along with a majority of Member States supported Austria, denying the European Commission (EC) the ability to take action against Austria. However, in a third vote on October 31, 2007, the minister changed Spain's position from one supportive of Austria's agriculture biotechnology ban to "abstention" in the vote. In doing so, she criticized Austria for not putting forward a credible defense of its ban of agriculture biotechnology policy for all EU Member States.

¶7. (U) As a result of this last round of voting, it appears that the EC now has the ability to acquire that Austria end its ban. However, some are reporting that the EC may go easy on Austria, only requiring that it end its ban of imported corn for use in the feed and processing sectors. If the EC takes this action, it appears that Austria would retain the ability to ban the planting of agriculture biotechnology, which would still appear to be a contravention of the EC's international biotechnology responsibilities.

#### EU BIODIESEL BOARD VS US BIODIESEL IMPORTS

¶8. (U) The European Biodiesel Board (EBB) has asked the European Commission (EC) to apply all the trade measures possible to counter the effects of a U.S. biodiesel subsidy scheme. The EBB claims that U.S. biodiesel producers benefit from domestic raw material subsidies and a \$1.00/gallon biodiesel blending subsidy (B99) that encourage U.S. biodiesel exports to the European Union at landed prices below break-even prices for European-produced biodiesel. The EBB has asked the EC to force a change in U.S. legislation through any and all means at its disposal, including countervailing duties or a World Trade Organization complaint.

¶9. (U) According to the EBB, the B99 subsidy also encourages triangular trade with biodiesel producers and traders from third countries like Malaysia and Indonesia. Reportedly, these producers export biodiesel to U.S. blenders who "splash" (blend) it with mineral diesel, which then qualifies them to receive the \$1.00/gallon-B99 subsidy. The biodiesel is then exported (dash) to Europe, where it then becomes eligible for additional European subsidy schemes. The EBB claims the B99 has created a surge of biodiesel exports to Europe through this "splash and dash" loophole, with total imports of biodiesel at 700,000 tons since January 2007, as compared to 90,000 tons in all of 2006.

#### INCENTIVES FOR DELAYING RETIREMENT

¶10. (U) For those willing to prolong their work life beyond 65 there soon will be an incentive of up to 15% increases in

MADRID 00002101 003.2 OF 003

their retirement packages. The Minister of Labor and Social Issues, Jesus Caldera announced that a new law will be approved by the Senate in the coming days. In an agreement reached by labor unions and employers, workers will see their pension grow at least 3% for every year worked beyond 65 with the maximum being 15% once reaching 70. Employers will not be liable for social security contributions for workers over 65. The Minister noted that 17% of Spaniards are over the age of 65 and the longevity increases every year. Life expectancy in Spain is one of the highest in the world at 80 years. Currently, 47 percent of Spaniards retire before 65, and the average retirement age is 63.5.

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